

May warned 'divide' tactics risk UK losing free trade deal

← continued from page 1

ratify an exit deal along with the House of Commons, agreed that the strategy could backfire. "Any attempts by UK ministers to divide EU countries will only slow down and complicate negotiations," said Guy Verhofstadt, leader of the liberal ALDE group, and the parliament's Brexit point man. "The EU will negotiate as a united bloc."

Gianni Pittella, leader of the socialist bloc in the parliament, said the UK's apparent attempt to split Europe was "certainly not the best way to kick off very complicated negotiations. This inappropriate attitude could undermine the outcome."

He also said recent threats that Britain could become a low-tax state if it did not achieve a good deal with the EU were a form of blackmail: "I was surprised because I don't think it is in the interests of the UK to open this phase in an aggressive way. We reject this blackmail. It is not fair, it is not elegant, it is not useful."

The scale of the challenge the UK faces in arranging a transitional deal - to cushion the exit and allow space for a free trade deal to be struck - is illustrated in a report by the European parliament's legal affairs committee.

A foreword to the report suggests it will be "difficult if not impossible" to get agreement among the EU27 and their national parliaments.

On the substance of a transitional deal, it adds that allowing the UK to continue in the single market without respecting the jurisdiction of the European court or permitting free movement would be like "allowing a national football association to decide it will set its own rules on the size of the ball, number of players on the field and width of the goal and do away with the referee, whilst purporting still to be able to take part in the European championship".

Many in Brussels and other capitals feel the biggest threat to an orderly Brexit is domestic political pressure on May from leave hardliners within and outside the government, and from the pro-Brexit press, whose headlines calling the high court judges in the article 50 case "enemies of the people" were viewed on the continent with horror. European leaders also feel the UK government's perceived enthusiasm for Brexit masks a misapprehension about the real strength of its position. "They seem to seriously believe they can take without giving," one London-based EU diplomat said.

Red lines

What the EU27 want will decide what leaving really means

The British government's Brexit red lines - controlling EU immigration, ending the jurisdiction of the European court of justice, calling time on further big EU budget contributions - are by now well known. But what of the EU's red lines? Here we map the priorities and demands of each of the UK's 27 negotiating partners. All will play a part in the deal Britain gets - because Brexit also means what the EU27 want it to mean.

Austria and Germany
Germany has been among the most persistent and vocal of the EU27 in insisting Britain cannot "cherry-pick" from the four fundamental freedoms - free movement of goods, services, capital and people - or opt out of free movement but into the single market. The chancellor, Angela Merkel, right, said: "If we were to make an exception for the free movement ... we would endanger the principles of the whole internal market." But Berlin and Vienna accept that

maintaining close ties with Britain will demand some flexibility on free movement. Germany recognises the need for an interim deal but fears it could be as laborious to seal as the final agreement.

Italy
Italy has been far less confrontational over Brexit than some EU members (despite a spat over prosciutto sales). After a disastrous referendum, the new government is focused above all on domestic politics. Rome has two key Brexit red lines: maintaining the link between the single market and free movement, and ensuring the rights of Italians in the UK. Analysts say it feels less exposed to the ill-effects of Brexit than others.

Latvia, Lithuania and Estonia
Intensely wary of Russia, the Baltic states hope a post-Brexit UK will stay close on EU foreign policy and defence. Lithuania's foreign minister,

Linas Linkevičius, said a pragmatic solution and "special UK model" would require London to compromise on free movement versus single market access. They are determined the rights of their nationals are protected and will insist on EU budget contributions if Britain wants enhanced single market access.

Belgium, Luxembourg and the Netherlands
Belgium and Luxembourg were founding members of the European project. People here see the right to live, work and study abroad as fundamental to EU citizenship. In theory, Luxembourg's bankers could gain. But no one is rubbing their hands with glee. Brexit was a "lose-lose situation", one diplomat said. Britain is the Netherlands' third-largest export market but Euroscepticism means it cannot afford to make Brexit look like an attractive model.

Malta and Cyprus
Malta will hold the EU's rotating presidency when article 50 is triggered, so it is likely to uphold the EU rulebook. Despite historical ties, Malta will not push for special favours for the UK. Any deal had to be fair but inferior, the prime minister, Joseph Muscat, said, adding: "Like any divorce, this could get messy." Cyprus has stressed the EU is "a set menu, not an à la carte arrangement".

France
France has been the most outspoken of the EU27 on the UK's stance. "There must be a threat, there must be a risk, there must be a price" to Brexit, said the president, François Hollande. France wants Brexit to be a deterrent for other Eurosceptics - not least the Front National. It also sees Brexit as an economic opportunity: Paris is actively targeting worried UK businesses, notably in finance. Additionally, Britain's departure presents an opportunity to reform the EU and

reimpose French influence. Whether the pro-EU Emmanuel Macron or the more anti-federalist François Fillon becomes the next president, Paris will push for a hard Brexit (though if Marine Le Pen wins, all bets are off). France may also throw the vexed issue of the Le Touquet accord - which places the UK border in Calais - into the mix.

Spain and Portugal
Portugal wants to maintain its historical alliance with the UK, protect the rights of its citizens and secure a good future trading relationship with its fourth largest export market. Madrid, too, is concerned about the rights of Spaniards in Britain, eager to retain the economic benefits of 300,000 mainly retired Britons in Spain (though maybe not their health costs), and would like the 17 million UK holidaymakers who visited Spain in 2016 to keep coming. How far Spain will seek to use Brexit talks to push

joint sovereignty claims over Gibraltar remains unclear.

Sweden, Denmark and Finland
Among the UK's closest EU allies, with Eurosceptic parties of their own and often agreeing on institutional reform, free trade and migration, the Nordic countries have nonetheless said their interests lie in preserving EU unity. "As close as possible relations with the UK is what we prefer," said Ann Linde, Sweden's minister for EU affairs and trade, but she added it was more important for the EU to function at "its absolute best". Denmark, too, will put self-interest first. "Our national advantage is clearly best served by preserving and reinforcing the single market," said one diplomat. Its foreign minister, Kristian Jensen, said there could be "no such thing as a free lunch". Finland has warned the EU budget would be a factor in negotiations - and Britain should not try to relax regulations or cut corporation tax to attract business after Brexit.

Poland, Hungary, the Czech Republic, Slovakia
The so-called Visegrád group have threatened to veto any deal that does not protect the rights of their citizens in the UK, but in fact may prove among the more amenable

of Britain's negotiating partners. All four see the UK as a bulwark against federalism and Franco-German dominance and a supporter of economic liberalism, as well as a strong defence to the east. But Brexit represents a chance to advance the "Euro-realist" agendas of the governments in Warsaw and Budapest, both of which would like to see Brussels' influence weakened. Poland, alarmed by Russia's assertiveness, is particularly eager to keep the UK involved in European foreign and defence policy. However, with more than 850,000 nationals from Poland alone living in Britain, reciprocal rights will be a sticking point, as will free movement.

Romania, Bulgaria, Croatia, Slovenia
Romania, whose 400,000 citizens in the UK make up the second largest community from an EU country after Poland, will insist that "not respecting or accepting freedom of movement ... cancels access to the internal market", said its president, Klaus Iohannis. Bulgaria, the poorest EU member state, will seek to protect its more than 70,000 nationals in Britain and may use the opportunity to hold out for guarantees of EU cash and material aid in the event of another wave of migrants and refugees arriving from Turkey. Slovenia, too, has warned against cherry-picking and insisted that Britain pay its EU

budget exit bill in full, while the EU's newest member, Croatia, has said it expects Brexit to be a long and difficult process.

Ireland
Brexit is likely to have a more profound economic impact on the Republic of Ireland than on any other member state, a Lords report said last month, possibly exceeding the effect on Britain. The UK is Ireland's largest export market. Dublin will seek to maximise single market access for the UK and ensure there is no return to a hard border with Northern Ireland. At the same time, it sees an opportunity to welcome UK businesses, particularly in finance, that want to remain in the single market and a fiscally friendly, English-speaking environment.

Greece
Engulfed in its own economic crisis, Greece has said little about Brexit. "Brexit is an unwelcome distraction from efforts to solve Europe and especially the eurozone's real problems," one official said, adding that Greece would continue to push for more "democracy, solidarity, cohesion and growth" throughout the bloc.

Jon Henley, Jennifer Rankin and Guardian correspondents

new ambassador to the EU, and the respected Tory advisers Chris Wilkins and Denzil Davidson. Mark Sedwill, the permanent secretary in the Home Office, does not yet attend the weekly session but is tipped to move into the centre of government and is another critical ally for the prime minister.

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Those close to Downing Street rebut the claim, with one source emphasising that Heywood is vocal about the need for close economic ties.

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Still, security and immigration are clearly priorities for her government. Questions over whether that comes from a Home Office bias are aired in a paper to be published today by Charles Grant, director of the Centre for European Reform. While praising some of the individuals working closely with May, he argues there is a lack of specific expertise on the EU, diplomacy, economics, financial markets and business.

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How the negotiating teams line up

Kickoff 15 March? | Venue Brussels | Attendance 510 million



Manager Theresa May, UK prime minister
Inherited a divided squad. Has to balance individual skills of Brexiters with more collaborative stars



Hill
Fiona Hill, Downing Street chief of staff
One of May's 'enforcers' and disciplined gatekeeper to PM



Carney
Mark Carney, governor of the Bank of England
Overseas signing finds himself on left of headline Brexiters



Timothy
Nick Timothy, Downing Street chief of staff
Known for squashing dissent. Seen as having ear for populist mood



Barrow
Tim Barrow, ambassador to EU
A late addition to the squad after predecessor quit. Will need all his diplomat's charm



Davis
David Davis, secretary for Brexit
An attacking choice as lead negotiator. Captain has less support than his EU counterparts



Hammond
Philip Hammond, chancellor
Revels in Eeyore role in cabinet. Has also shown resistance to continental attacks



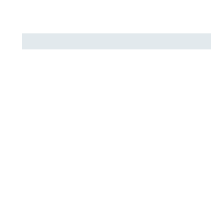
Williamson
Gavin Williamson, Tory chief whip
Deals with more serious internal threats, such as the backbench critic Anna Soubry



Romeo
Antonia Romeo, permanent secretary at DIT
Rising star brought back from US to work with Fox. Possible flair player



Fox
Liam Fox, secretary for international trade
Maverick. Making unpredictable runs to carve out deals outside EU



McLoughlin
Jimmy McLoughlin, Downing Street business liaison
Hired to sell Brexit to industry. Deals with anxiety outside party



Robbins
Oliver Robbins, permanent secretary at DExEU
Plays on the right. Said to follow fellow his midfielder Barrow as a rival



Hollande
François Hollande, French president
Still a useful player in Europe despite poor home form. May play dirty: France wants to win



Bettel
Xavier Bettel, Luxembourg PM
Staunch defender of EU principles: says 'either you're a member or you're not'



Muscat
Joseph Muscat, Maltese PM
Studied in UK and says he wants to be an 'honest broker'. But he will hold EU line



Corsepius
Uwe Corsepius, adviser to Merkel
Described as Merkel's 'blunt instrument'. Has fiercely defended Germany's interests



Weyand
Sabine Weyand, deputy chief negotiator
Barrier's second in command. Will be a key fixer and a vital cog for EU machine



Hübner
Danuta Hübner, MEP
Head of parliament constitutional affairs committee; will attempt to break up attacks



Szydło
Beata Szydło, Polish PM
Energetic leader will play fair but firm and wants to be Britain's new friend in EU



Selmayr
Martin Selmayr, Juncker's chief of staff
Hugely powerful. Admired for his brain but accused of hoarding power



Manager Angela Merkel, German chancellor
Still Europe's most formidable coach and tactician. A decisive leader and strategist, she will try to keep her team focused



Verhofstadt
Guy Verhofstadt, MEP
EU parliament's Brexit point man expects to play a full part. Could be a gamechanger

May's inner circle

Close-knit group that includes no politicians

Anushka Asthana
Heather Stewart

The speech was so closely guarded that the final draft was delivered to key ministers by hand, the night before, in a brown envelope.

The next day, amid the marble and gilt of Lancaster House in St James's, central London, the prime minister set out her government's blueprint for Brexit to an audience of ambassadors.

Inside Downing Street, there was a sense of achievement and relief as it became clear that a long and carefully calibrated address had largely hit the mark. Most agreed that Theresa May had achieved quite a feat - giving hard-line Brexiters their clean break from the single market but dangling enough hope of close economic ties to soften the blow for ardent remainers.

For many, the speech was seen through the prism of a Conservative power play in which May had been pulled in opposing directions by prominent cabinet Brexiters and a more cautious chancellor. But perhaps the most significant players in her Brexit negotiations are part of a more close-knit group which does not include politicians. May's Brexit inner circle is, arguably, a handful of senior officials and special advisers whom she gathers every week in Downing street to discuss the twists and turns in Britain's EU departure.

Unlike some previous prime ministers who would oversee sprawling meetings, May limits this "operational" discussion to 10 of her most trusted advisers.

Three are from the Home Office: the prime minister's joint chiefs of staff, Nick Timothy and Fiona Hill, and Peter Storr, now a No 10 adviser on the EU. Others include Sir Jeremy Heywood, the cabinet secretary, Oliver Robbins, the most senior official in the Brexit department, Sir Tim Barrow, the

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new ambassador to the EU, and the respected Tory advisers Chris Wilkins and Denzil Davidson. Mark Sedwill, the permanent secretary in the Home Office, does not yet attend the weekly session but is tipped to move into the centre of government and is another critical ally for the prime minister.

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Those close to Downing Street rebut the claim, with one source emphasising that Heywood is vocal about the need for close economic ties.

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Still, security and immigration are clearly priorities for her government. Questions over whether that comes from a Home Office bias are aired in a paper to be published today by Charles Grant, director of the Centre for European Reform. While praising some of the individuals working closely with May, he argues there is a lack of specific expertise on the EU, diplomacy, economics, financial markets and business.

Grant cites other risks of such centralised decision making. "People in the inner circle may become overstretched so that important decisions are delayed,



Theresa May delivering her Brexit speech at Lancaster House last month

and centralisation may discourage the tapping of outside expertise," he writes. But he also outlines the positives of focusing on a "small circle of trusted allies", including fewer leaks and the ability to act fast "with minimal foot-dragging from other Whitehall departments".

May was determined to break from Cameron's so-called sofa government, in which chumocracy ruled. Yet critics would argue that her reliance on a close group of - admittedly official - advisers has some similar traits.

So how did May manage to keep her troops relatively in line? Perhaps she convinced colleagues with cabinet "bilaterals" in the run-up to the speech, designed to make ministers feel a central part of the process. Or maybe they knew there was little point in fighting. One senior figure told friends: "She just does what she wants anyway."

Some joked that they were being kept in check by Katie Perrior, Downing Street's director of communications, who was cheekily described by one minister as "Sidcup's answer to Malcolm Tucker" (others say Perrior can be tough, but she is hardly partial to a sweary rant).

In reality, May's speech simply fired the starting gun for Brexit; campaigners may be calm, but they know the fight is on. There are some (apparently including Liam Fox, described by ministers as the "Presbyterian wing" of the Brexiters) who are bent on the hardest of Brexits, ie the WTO route. Others will fight for a trade agreement with limited immigration controls to maintain close economic links.

In cabinet, the chancellor, Philip Hammond, and other allies - Greg Clark, Damian Green and Amber Rudd - will be playing a long game but will make the argument for close ties.

Elsewhere the divides will be more obvious. One key lever - the MEP David Campbell Bannerman - recently argued Britain should seek something similar to Canada's agreement. But his Tory colleague Vicky Ford, who chairs the European parliament's committee on the single market and who campaigned for remain, called for a more ambitious approach. "There isn't a single free trade agreement above business and finance."

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